SWITZERLAND

TRADE SUMMARY

In 2000, the U.S. trade deficit with Switzerland was $231 million. U.S. merchandise exports to Switzerland were $9.9 billion, an increase of $1.6 billion (19 percent) from 1999. Switzerland was the United States' 18th largest export market in 2000. U.S. imports from Switzerland were $10.2 billion in 1999, an increase of 578 million (6 percent) from 1999. U.S. exports of private commercial services (i.e., excluding military and government) to Switzerland were $4.7 billion in 1999, and U.S. imports were $3.7 billion. Sales of services in Switzerland by majority U.S.-owned affiliates were $5.1 billion in 1998, while sales of services in the United States by majority Swiss-owned firms were $20.8 billion. The stock of U.S. foreign direct investment (FDI) in Switzerland at the end of 1999 was $51.2 billion, an increase of 27.6 percent. U.S. FDI in Switzerland is concentrated largely in the financial, wholesale, and manufacturing sectors.

IMPORT POLICIES

According to the Organization for Economic Cooperation and Development (OECD), Swiss farmers are one of the most highly-protected producer groups in the world. Although Switzerland is self-sufficient in pork, dairy, and other agricultural commodities, it imports approximately $6 billion worth of agricultural products annually, accounting for more than 40 percent of total food consumption. The U.S. share of the agricultural import market is about five percent, which makes the U.S. the sixth most important exporter of agricultural goods to Switzerland and the largest outside the European Union (EU). Switzerland is a relatively difficult market for many U.S. agricultural products to enter because of the high tariffs on certain agricultural products and preferential tariff rates for other countries, such as the EU Member States. It is particularly difficult to export pre-packaged food products because of the Swiss customs practice of charging tariffs on the gross weight of imports (the weight of the package is included in the tariff).

Administration of agricultural tariff-rate quotas has also presented problems for U.S. exports as Swiss regulations often allocate the quotas to importers that purchase domestic products. This requirement has increased protection for domestic producers and in some cases (such as potato products) has meant that it is not possible for U.S. exporters to ship under the tariff-rate quotas. Food and agriculture represent the only sector where government policies have any significant impact on American products being imported into the country. If the above impediments in the agriculture sector were removed, U.S. industries estimate that U.S. exports would increase by more than $25 million.

STANDARDS, TESTING, LABELING AND CERTIFICATION

In general, Swiss standards and labeling requirements do not present a significant hardship for U.S. companies. In recent years, genetically engineered food products from the U.S., such as genetically modified corn and soybeans, are facing increased obstacles, such as relatively slow approval processes and increasing opposition from Swiss consumer groups and retail organizations. In June 1998, Swiss voters defeated a referendum to ban biotechnology research and release of biotechnology products into the environment, in part due to concerns about the impact of this proposal on medical research. Nonetheless, biotechnology products are becoming increasingly controversial. Approval of products containing genetically modified organisms (GMOs) has been slower than in the United States, a situation that has caused products approved elsewhere to be banned in Switzerland. Once approved, food products containing GMOs are subject to strict labeling requirements.

In addition, a new law took effect on January 1, 2000, stipulating that imports of fresh meat and eggs from abroad produced in a manner not permitted in Switzerland must be clearly labeled as such. Methods not allowed in Switzerland include the use of hormones, antibiotics, and other antimicrobial substances in the raising of beef and pork, and the production of eggs from chickens kept in certain types of battery cages.

SERVICES BARRIERS

Switzerland's services regime remains largely open. For example, the telecommunications market has for the most part been fully liberalized, and U.S. firms have established a significant presence in Switzerland. Since 1998, a U.S. firm (as part of an international consortium) has had one of the three government licenses to provide cellular telephone services. U.S. firms have ownership interests in at least two of the four consortia that recently won licenses to operate third generation UMTS wireless communication services.

In contrast to the EU's Broadcast Directive, Switzerland's guidelines do not set specific limitations on the amount of non-Swiss or non-European origin programming that can be broadcast or shown in theaters. However, the government reserves the right to require that broadcasters or cinema companies use a certain minimal share of Swiss production "if deemed necessary to maintain the diversity of supply."

Switzerland does maintain some restrictions on legal services. Foreign lawyers cannot provide legal consultancy services nor legal advice on foreign or international law without being licensed in the practice of Swiss law, and foreign lawyers may not form partnerships with local lawyers without being licensed under local law.

INVESTMENT BARRIERS

Foreign investment is neither actively encouraged nor hampered by any significant barriers and receives national treatment. The federal government confines itself to creating and maintaining general conditions that are favorable both to Swiss and foreign investors. Such factors include economic and political stability, a firmly established legal system, extensive and reliable infrastructure, good labor-management relations, and efficient capital markets.

ELECTRONIC COMMERCE

The Swiss government generally supports the evolution of electronic commerce with a minimum of regulatory interference. A number of U.S. firms providing Internet access are active in the Swiss market. Switzerland is following the EU lead with respect to Internet privacy issues. Swiss law stipulates that personal data may not pass to a foreign country if that country does not offer an adequate level of data protection.

GOVERNMENT PROCUREMENT

Switzerland is a signatory of the WTO Agreement on Government Procurement. On the cantonal and local levels, a law passed by the Parliament in 1995 provides for non-discriminatory access to public procurement. The United States and Switzerland agreed in 1996 to expand access to government procurement opportunities, including at the sub-Federal level, on a bilateral basis.

EXPORT SUBSIDIES

Switzerland's only subsidized exports are in the agricultural sector, where exports of dairy products (primarily cheese) and processed food products (chocolates, grain-based bakery products, etc.) benefit from state subsidies. Switzerland is gradually reducing export subsidies as required under WTO rules. The Swiss government has negotiated, but not yet ratified, an agreement with the European Union according to which neither side will subsidize dairy product exports to the other.

ANTI-COMPETITIVE PRACTICES

The Swiss economy has long been characterized by a high degree of cartelization, primarily among domestic-oriented firms and industries (i.e., usually not the large, internationally active multinationals). The Swiss constitution specifically allows cartels unless the government concludes that they are harmful to society or the economy. While Switzerland enacted a stronger anti-cartel law in 1996 that gave increased power to the Competition Commission to prohibit/penalize cartels, the law only allows firms engaged in anti-competitive behavior to be punished by the government for second violations, after first receiving a warning to cease the anti-competitive practice. In addition, penalties/fines are not particularly severe. International economic organizations such as the OECD and IMF periodically urge Switzerland to strengthen its anti-trust regime.

In September 2000, the Swiss government sent draft legislation to Parliament that would allow the competition commission to penalize/fine companies for first offenses, and increase the maximum amount of the fine from ten percent of a company's annual revenue to the total combined revenue of the firm for the past three years. The draft legislation is intended to bring Swiss competition law closer to the tougher standards prevailing in the United States and EU and, if passed, should have a substantially greater preventive effect. However, the sectors of highest cartel concentration have been in the trades, (i.e., construction plumbing/electricians) and in distribution – sectors where the United States has few commercial interests.